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AR-D-2171

25 August 1952

MEMORANDUM FOR: Deputy Director (Administration)

SUBJECT : Accounting for Subsidy Projects

1. This is in reply to the memorandum from the Acting Deputy Director (Administration) of 4 August 1952, to which was attached a copy of the Auditor-in-Chief's memorandum to the DD/A of same date.

2. It is observed that the Acting Deputy Director (Administration) has approved the Auditor-in-Chief's memorandum but requested in his memorandum of 4 August 1952 that we advise if any of these recommendations are impracticable of implementation.

3. We are in agreement with the contents of the memorandum of the Auditor-in-Chief but would propose to implement it somewhat differently than as proposed by the Auditor-in-Chief.

4. We agree with the statement in the third paragraph that the Comptroller carry on his books all Agency funds advanced until such time as there is evidence "that the Agency no longer has an interest in them". However, the majority of payments to subsidy projects are better characterized as grants rather than advances and in our opinion should be continued to be treated as "expense" upon acknowledgement of the receipt of funds by the project or entity for which intended. The treatment of this type of payment in the accounts as "expense" does not preclude receiving financial statements and supporting evidence of subsequent proper use of the funds; the audit of the records maintained by such projects where security and other pertinent factors will permit; and the carrying out of each of the recommendations included in the Auditor-in-Chief's memorandum under "A".

5. For several months each CCC Administrative Plan with respect to subsidy projects has provided, where practicable, for the project to submit financial statements and supporting data for review by the Case Officer and Certifying Officer, and the more recently prepared Administrative Plans have and will continue to include a provision for an audit of the project where practicable and where security will permit. We believe that the review as contemplated of these statements and supporting data is not entirely adequate. We therefore propose, in order to have a better control and follow-up system, that we establish in the records of the Finance Division memorandum accounts which will segregate the balances of all subsidy project payments until appropriate accountings have been received or the project has otherwise been satisfactorily reported on insofar as the subsequent use of the funds are concerned.

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6. With respect to recommendations B, C, and D, you are referred to Paragraph (6) of the memorandum which states that the Auditor-in-Chief is now reviewing all subsidy projects to determine whether an audit can be made of all outstanding advances. It appears that this review should necessarily result in determining the amounts of payments that are at present outstanding in the hands of the subsidy recipients and that therefore, the Comptroller's Office should not attempt any action with respect to recommendations B, C, and D until the Auditor-in-Chief has completed his review and is in a position to supply the Comptroller with such outstanding balances.

E. R. SAUNDERS  
Comptroller

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